



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

December 6, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO EXTEND CONTRACT FOR MEDICAL
MALPRACTICE/HOSPITAL LIABILITY CLAIMS ADMINISTRATION
AND LEGAL DEFENSE MANAGEMENT SERVICES
(ALL DISTRICTS – 3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign the attached Amendment No. 1 to Contract No. 74231, with Octagon Risk Services, Inc. (Octagon), to extend the contract for an additional one-year term, to be effective January 1, 2006 through December 31, 2006.
2. Authorize the Chief Administrative Officer (CAO), or his designee, to approve and execute all renewal options, extensions, and change notices pursuant to the provisions of the contract.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On December 3, 2002, your Board approved the contract with Octagon to provide claims administration and legal defense management services for the County's medical malpractice and hospital liability (MEDMAL) self-insurance program for a term of three years, with four, one-year extension options. The current term expires on December 31, 2005. The purpose of this letter is to obtain your Board's approval to exercise the first one-year extension option, and prevent any disruption in services to County departments.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

The CAO investigated the possibility of consolidating the adjusting of MEDMAL claims within the in-house CAO claims unit. However, after a careful assessment of the costs and logistics of such a consolidation, it was determined that the transition to an in-house operation would not be feasible at this time. The contract extension will also allow sufficient time for the CAO to review the current operation and to develop a request for proposals that would solicit the most highly qualified and cost effective provider for claims administration and legal defense management services.

Implementation of Strategic Plan Goals

This contract is consistent with the County's Strategic Plan Goal of Fiscal Responsibility and will assist the County in effectively managing its resources.

FISCAL IMPACT/FINANCING

Funding is included in the Fiscal Year 2005-06 Adopted Budget. The projected annual maximum cost for the one-year term will be \$3,000,000.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Amendment No. 1 reflects current County language regarding Contractor Responsibility and Debarment, the Safely Surrendered Baby Law, and Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program. This Amendment No. 1 has been reviewed and approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES

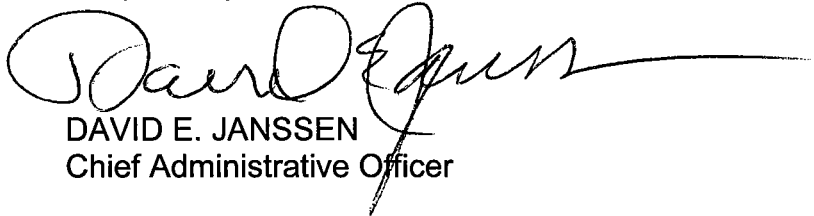
Approval of this contract extension will ensure the Contractor's uninterrupted continuation of claims administration and legal defense management services for the County's MEDMAL self-insurance program, for the Departments of Coroner, County Counsel, Fire, Health Services, and Sheriff.

The Honorable Board of Supervisors
December 6, 2005
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CONCLUSION

Upon approval by your Board, please return two signed originals of Amendment No. 1 and one stamped adopted copy of the letter to the CAO, Risk Management Branch.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right. The signature is written over the printed name and title.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:RAA
DU:KR:sg

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller

**CONTRACT WITH OCTAGON RISK SERVICES, INC. FOR
MEDICAL MALPRACTICE/HOSPITAL LIABILITY CLAIMS ADMINISTRATION
AND LEGAL DEFENSE MANAGEMENT SERVICES**

AMENDMENT NO. 1

This Amendment No. 1 to Agreement No. 74231, dated December 3, 2002, is made and entered into this first day of January 2006, between the County of Los Angeles, hereafter "COUNTY," and Octagon Risk Services, Inc., hereafter "CONTRACTOR."

WHEREAS, on December 3, 2002, COUNTY entered into an agreement with CONTRACTOR, for Medical Malpractice/Hospital Liability Claims Administration and Legal Defense Management Services, hereinafter "Contract;" and

WHEREAS, Section 2, "Contract Term," of the Contract allows for the Contract to be extended for four additional one-year periods by mutual agreement of COUNTY and CONTRACTOR; and

WHEREAS, Section 8, "Changes and Amendments of Terms," of the Contract requires that certain revisions of the Contract, which materially affect the scope of work or any term and condition included in the Contract, must be accomplished by a negotiated Amendment to the Contract executed by COUNTY's Board of Supervisors and CONTRACTOR; and

WHEREAS, COUNTY and CONTRACTOR wish to extend the term of the Contract for an additional one-year period to be effective January 1, 2006 through December 31, 2006;

NOW THEREFORE, it is agreed between the parties that the Agreement shall be amended as follows:

I. Section 2, "Contract Term," is deleted and replaced by the following:

2. CONTRACT TERM - The term of this Contract shall commence on the first day of the month following approval by the Board of Supervisors or by January 1, 2003, whichever is later, and shall continue in full force and effect for four (4) years following this date. This Contract may be extended for three (3) additional one-year periods by mutual written agreement of the County and the Contractor.

In the event of expiration or prior termination of the term of this Contract, The Contractor shall fully cooperate with the County to provide for the transition to whatever service replacement method the County determines to be in its best interest.

II. Subsection 8.2 of Section 8, "Changes and Amendments of Terms," is deleted and replaced by the following:

8.2 For any revision which materially affects the scope of work or any term and condition included in the Contract, a negotiated amendment to the Contract shall be executed by the County Board of Supervisors and the Contractor, except that the Chief Administrative Officer or designee is authorized to execute an agreement to extend the term of the Contract pursuant to Section 2 above, and except as provided in Subsection 8.3, below.

III. Section 22, "Contractor's Responsibility and Debarment," is deleted in its entirety and replaced by the following:

22. CONTRACTOR RESPONSIBILITY AND DEBARMENT

22.1 A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the County's policy to conduct business only with responsible Contractors.

22.2 The Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County acquires information concerning the performance of the Contractor on this or other contracts which indicates that the Contractor is not responsible, the County may, in addition to other remedies provided in the Contract, debar the Contractor from bidding or proposing on, or being awarded, and/or performing work on County contracts for a specified period of time not to exceed five years but may exceed five or be permanent if warranted by the circumstances, and terminate any or all existing contracts the Contractor may have with the County.

22.3 The County may debar a Contractor if the Board of Supervisors finds, in its discretion, that the Contractor has done any of the following: (1) violated a term of a contract with the County or a nonprofit corporation created by the County, (2) committed an act or omission which negatively reflects on the Contractor's quality, fitness or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County or any other public entity.

- 22.4 If there is evidence that the Contractor may be subject to debarment, the Department will notify the Contractor in writing of the evidence which is the basis for the proposed debarment and will advise the Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.
- 22.5 The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Contractor and/or the Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether the Contractor should be debarred, and, if so, the appropriate length of time of the debarment. The Contractor and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors.
- 22.6 After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision, and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.
- 22.7 If a Contractor has been debarred for a period longer than five years, that Contractor may, after the debarment has been in effect for at least five years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. The County may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that the Contractor has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of the County.
- 22.8 The Contractor Hearing Board will consider a request for review of a debarment determination only where (1) the Contractor has been debarred for a period longer than five years; (2) the debarment has been in effect for at least five years; and (3) the request is in writing, states one or more of the grounds for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall

conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment hearing.

The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. The Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

22.9 These terms shall also apply to Subcontractors of County Contractors.

IV. Section 51, "Termination for Breach of Warranty to Maintain Compliance with County's Child Support Compliance Program," is deleted in its entirety and replaced by the following:

51. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM

Failure of the Contractor to maintain compliance with the requirements set forth in Section 24, "Contractor's Warranty of Adherence to County's Child Support Compliance Program," shall constitute default under this Contract. Without limiting the rights and remedies available to the County under any other provision of this Contract, failure of Contractor to cure such default within 90 calendar days of written notice, shall be grounds upon which the County may terminate this Contract pursuant to Section 53, "Termination for Default of the Contractor," and pursue debarment of Contractor, pursuant to County Code Chapter 2.202.

V. The following Section is added to the Contract:

65. CONTRACTOR'S ACKNOWLEDGEMENT OF COUNTY'S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW

The Contractor acknowledges the County places a high priority on the implementation of the "Safely Surrendered Baby Law." The Contractor understands it is the County's policy to encourage all County Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the Contractor's place of business. The Contractor will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The County's

Department of Children and Family Services will supply the Contractor with the poster to be used."

IV. Except for the changes set forth herein, all other terms and conditions of the Contract shall remain the same, and in full force and effect.

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IN WITNESS WHEREOF, CONTRACTOR has executed this Amendment, or caused it to be duly executed, and the COUNTY, by order of its Board of Supervisors, has caused this Amendment to be executed on its behalf by the Chair of said Board, and attested by the Executive Officer-Clerk of the Board of Supervisors thereof, the day and year first above written.

OCTAGON RISK SERVICES, INC.

By: _____


Name

PRESIDENT
Title

COUNTY OF LOS ANGELES

By: _____

Chair, Board of Supervisors

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk
of the Board of Supervisors

By: _____

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____


Principal Deputy County Counsel